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***“Multinational Companies and the Recomposition of Industrial
Relations in Times of Crisis: the Exemplary Case of the
Automobile Industry”***

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Introduction

- **QUESTION:** What are the dynamics of the recomposition of “industrial relations” in the automobile industry, in France and in the New Member States (CEECs) ?

- **THE FIELD SURVEYED :**
Three French firms representative of the sector: Renault, PSA and Valéo
- Semi-structured interviews (HR Directors, Unions)
- Period: 2005-2009

Panel of Companies

MNC	Governance Model	Employees by geographic zone	Countries with plants run by subsidiaries, surveyed: beginning of operations	Method of entry and ownership structure of subsidiaries	Employees in subsidiaries (2007)
Renault	Ex-state-joint-owned Shareholder-owned	World: 128 000 Europe: 84 000 France: 44 000 CEECs: 15 000	Slovakia Rumania	Greenfield Brownfield Greenfield	134 11 500 1 430
PSA	“family-owned”	World: 211 700 Europe: 176 000 France: 122 000 CEECs: 13 750	Slovakia	Greenfield	3300
Valéo	Shareholder-owned	World: 70 000 Europe: 38 000 France: 18 000 CEECs: 8 700	Hungary Slovakia Rumania	Brownfield Greenfield Brownfield Greenfield	N.A. 1150 900 120

Notes: * The governance model is defined according to two principal criteria: the distribution of ownership rights and the managerial culture.

** JV stands for joint-venture.

HR Policy, Managerial Social Dialogue and the Management of Local Social relations

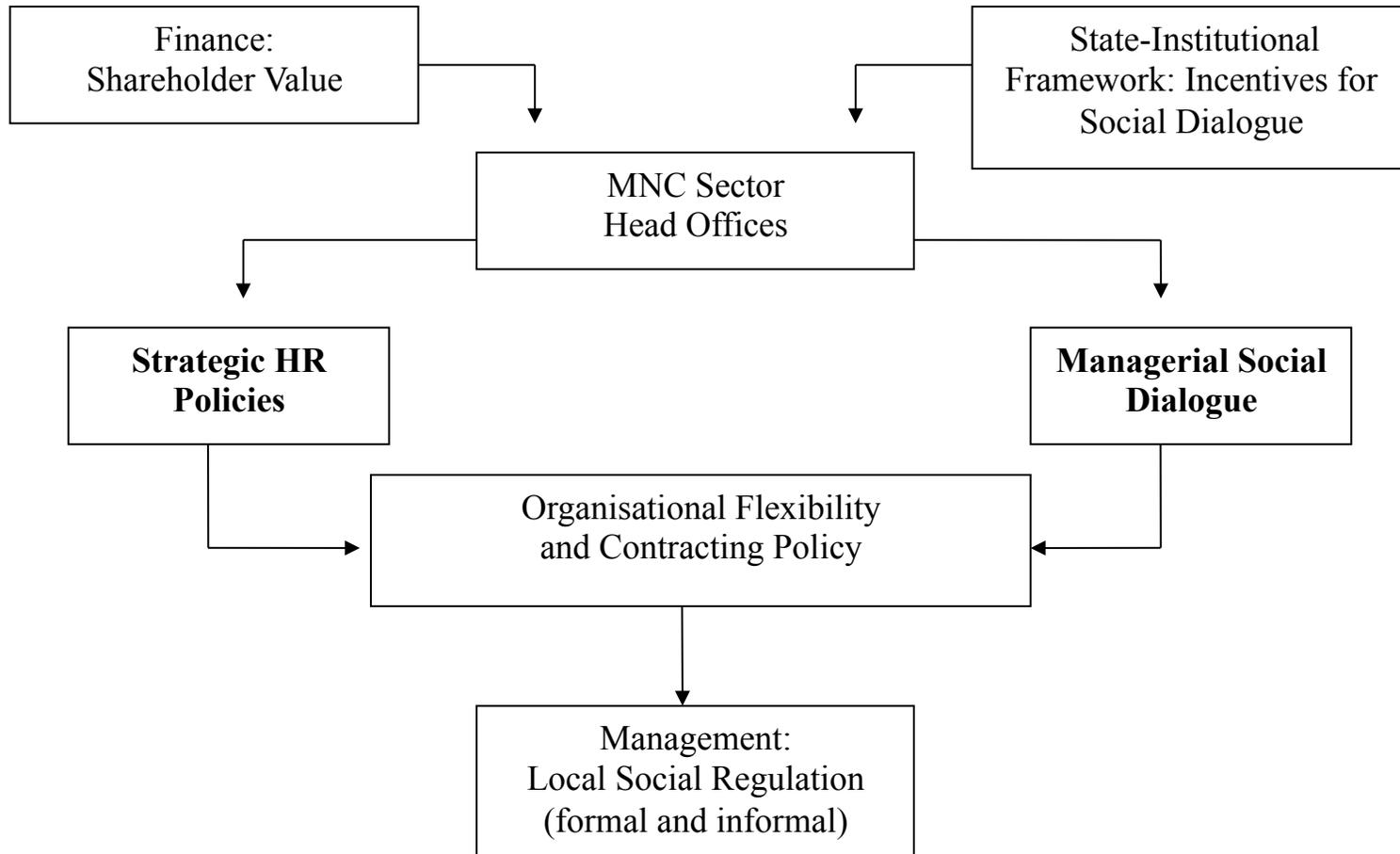


Table: Company Strategies, HR Policies and the Management of Social Relations in the French Automotive Sector

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	The 1980s-1990s: the internationalization of market integration strategies			The 2000s: financial globalization and FDI				
Firms	Shareholding	Original social model	Industrial strategy	Shareholding	Inter- national growth strategy	Strategic product	Strategic HR policy	Management of social relations
Renault	Public enterprise	Joint-State owned	Sectoral diversification, internationalization then refocusing	Listed company with State participation	Alliances and internal growth	Volume innovation and cost reduction	Market	Formalization
PSA	Listed company under family control	Paternalist	Acquisitions then restructurings	Listed company under family control	Targeted partnerships and internal growth	Innovation quality and cost reduction	Pro-active	Negotiated involvement
Valéo	Publicly listed company	Paternalist	External growth internationalization then refocusing	Publicly listed company	Rationalization integration of targeted, acquired activities	Innovation customer relations cost reduction	Market	Benchmarking

□

→ A managerial social dialogue at the service of the company's industrial strategy :

A general logic of instrumentalizing the law, collective bargaining and European Works Councils ; a distancing of trade unions through the massive use of ICT (HR-Intranet)

Renault : ambitious contractual policy at the world level (agreement on fundamental social rights in 2004, a group agreement on profit sharing, in 2008); advanced formalization of HR.

France : strategy of marginalizing the most combative unions (CGT).

Rumania : cooperation between local management and single union (with a conflict of the new generation: profit sharing at the level of the whole group).

PSA : The dropping of paternalism (1990s) ; RSE Group agreement (2006).

France : contractual policy (joint commissions on strategy, monitoring agency of professions, social agenda, convergence of bonuses).

Slovakia : growing interest for negotiation ; recent extension of collective bargaining on working conditions and hours (with a link to the local implementation of the RSE agreement).

Valéo: Minimalist social dialogue ; individualized management of compensation, careers and training.

Under-development of social policy at the group level: an Ethics Charter (ILO standards), and procedures for dealing with moral harassment/bullying.

A Managerial Social Dialogue Consolidated by State and Community Regulations

	France	CEECs
Managerial Social Dialogue	Instituted	Disintermediated
The new structuring of the law and collective bargaining at the national level	<p><u>An obligation to negotiate:</u></p> <p>Social Cohesion Law (2005)</p> <p>Law modernizing the social dialogue (2007-2008)</p> <p>Legal rules, that are “open”, to local “interpretation”</p>	<p>An institutional framework limiting the extension of negotiations (restricted moreover to salaries)</p> <p>A macro-social dialogue oriented to political haggling (lobbying, alliances between unions and political parties)</p> <p>A micro-social dialogue, which is essentially informal and paternalist</p>
The power relationships between States/unions/employers	<p>-Instrumentalization of the law and collective bargaining by management;</p> <p>-Unions: facing “constraints” to follow companies contract policies</p>	<p>- Role of the co-managers of States in past compromises with MNCs (attractiveness of FDI)</p> <p>- Unions that are cooperative with management to organize change</p>
Influence of the Community framework	A minimalist Community framework: some Directives on information and consultation; the exclusion of the PR dimension of the <i>acquis communautaire</i> . European Works Councils instrumentalized by management.	

IV. The Crisis: What is New in the Field of Social Regulation ?

Responses to the crisis in the automobile sector

A. France :

- Revision of the “**compromise**” structured on “**profit sharing in exchange of work intensification and “wage moderation”**” towards a “**defensive flexibility**” (Boyer).
“Crisis compromises” for Renault and PSA :

Similarities:

- External flexibility : attractive programs of “voluntary redundancy”; job adjustment with destruction of atypical employment (interim)
- Internal flexibility arrangements to maintain the “core competencies”: a strategy supported by the mobilization of various juridical tools (RTT, partial unemployment with no wage reduction, reduction of extra-hours)
- A clear “national preference” for production plans: arbitrage in favor of French sites, with the (temporary?) freezing of the development of sites in Slovenia (Renault) and Slovakia (PSA).

Differences in internal flexibility tools:

- PSA : relative employment protection in exchange of the reinforcement of the **multiannual modulation of working time** : employment flexibility as a new element of the social deal
- Renault : relative employment protection **with wage moderation** ; special contribution by white-collar staff and managers in exchange of the opening up of previous flexibility agreements (1999).

→ The Return of a “Strategic State” Based on New Institutional Complementaries ?

Automobile pact (Feb. 2009):

- Measures to support demand (car-replacement bonuses, bonus/malus)
- Financial support for cash flow
- Employment policy: subsidies for supporting partial unemployment; extension of the FNE convention on training
- Counterparts for receiving public subsidies: the commitment to maintain jobs on the national territory (no ‘social/redundancy plans’ for 2009; no closure of assembly sites during the time of the loan; engagement to maintain activities of R&D.

Other general and transitory measures:

- Strategic Investment Funds (December 2008): participation in the capital of Valéo, up to 8.33%
- To support employment (2008-2009) :
 - State aid for the financing of partial unemployment; lengthening of partial unemployment period,
 - Extension of the “Professional Transition Contrat” to new areas,
 - Extension of the “Convention for personalized job search and reclassification”;
 - Social Investment Funds (April 2009)

New arrangements supporting mainly “defensive flexibility” to the detriment of real “flexisecurity” solutions:

employment or career security limited by the law (2008), and very little mobilization of training programs.

- reinforcement of the segmentation between atypical and standard working contracts.

B. NMS: Stronger Local Flexibility to Cope with the Crisis

The general logic of adjustment in the sector:

- Massive use of external flexibility (job destruction). Very few programs of “voluntary departures” (some are more “forced ” than voluntary).
- Less use of internal flexibility: mainly based on the reduction of significant overtime and “forced” holidays.
- Wage moderation or reduction.
- Most of the adjustments are unilaterally defined by the Human Resources management: the downplaying and under-development of social dialogue

A few negotiated solutions to preserve employment:

- Renault-Dacia (Rumania): use of partial unemployment at end 2008 (75% of the salaries co-financed by the multinational and the state)
- Renault Slovenia: a “flexicurity” deal based on partial unemployment (85% of salaries with two-thirds financed by the state) in exchange for the involvement of the employees in training programs
- PSA Slovakia: negotiation on hours worked in the pick-up phase (lengthening of the working week and work on Saturdays).

The NMS: The Emergence of Strategic Industrial Policies

- **Local responses to the crisis largely dictated by a permissive institutional environment.....**
 - Relatively low employment protection rules (initial pressure came from the OECD and then the EU)
 - No legal framework for negotiating on working time or training: collective agreements almost exclusively concerned with wages;
 - Rare and uncertain measures of partial unemployment (Hungary, Slovenia)
- **..... With a re-orientation of the Strategic State centered on:**
 - **The end of the “low road” strategy:** “race to the bottom”, tax exemptions and labor market deregulation as ways to attract FDI in the East-European territories
 - **The emergence of a “high road” strategy:** state subsidies for foreign constructors to support technological catch-up (eg: green car, etc.), investments in infrastructure (transport, training, and R&D).
 - Trends thwarted by austerity measures? Structural Adjustment imposed by the IMF.

Conclusions

Flow Chart: New Factors and Weaknesses of Institutional Complementarities in Times of Crisis

